Ohio’s Future Challenges:
A Primer on Demographic Issues

Presented at:
OFB AgriPower Institute: Into the Corridors of Power
Columbus, Ohio – August 22, 2008

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The success of my talk is not be 100% accurate in predicting the future, but to try to raise issues to stimulate your thinking and to help you understand our future challenges.
Ohio growth patterns.

- Ohio’s economy lags the nation.
- Who cares—old news... BUT Important!
  - If Ohio returned to the national average in per-capita income: $13,000+ more income for a family of 4.
  - 60,000 more jobs a year if Ohio’s job growth equaled the U.S. rate in 2000-07.
  - Private sector investment does not occur with current expectations.
  - Vicious cycle that limits wealth creation.
Economic Conditions

- Popular stories for OH’s lagging performance are insufficient.
- What are the trends?
  - For details and sources, OSU Growth and Change series on Swank website.
  - Does Enhancing Ohio’s Small Businesses and Entrepreneurs Provide the Key to Growth?
  - Employment Growth, Future Prospects, and Change at the Ohio Rural-Urban Interface
  - Population Change in Ohio and its Rural Urban Interface.
Ohio in purple. In mid '50s, OH was almost 10% above U.S. average—today, OH is almost 10% below the U.S. average.
OH compared to U.S. and our Great Lake State peers (Rust Belt). Great Lake States all have a manufacturing history, settlement history and weather that drives Sunbelt migration. So doing worse than them is particularly alarming for Ohio’s future.
Metro OH has lagged in all 4 periods
Nonmetro OH's performance is not so bad since 1990 compared to the U.S. and GL state averages. Metro OH is where OH's recent problems are concentrated.
The state job growth story is NOT manufacturing in the sense that other places have had to deal with manufacturing problems. Auto sector’s job losses are also relatively small share of overall state jobs. We perform worse in manufacturing than our peer GL states—and again, they have similar settlement history, weather, manufacturing history. Simple explanations are not good.
Illustrating why agriculture needs to praise free trade:


“All exports of goods and services in the first half of the year rose at a $52 billion annual rate, adjusted for inflation, up 7.1 percent. Commodities accounted for 41 percent of the increase and manufactured products contributed just 12 percent, the bureau reported. (The figures strip out such items as arms sales and exports to American territories, like Puerto Rico and the Virgin Islands.)

Such unevenness, favoring commodities, is unusual, given that manufactured products, even by this definition, account for 40 percent of the nation’s exports, while commodities make up only 26 percent and services 30 percent. Indeed, not since the bureau began compiling detailed trade data in 1977 have commodities outpaced manufactured exports for two consecutive quarters.”
Economic—Summary

- In global economy, small changes in costs/profits sends entrepreneurs, skilled workers, and investment to the most profitable locations.
- Moral: Ohio needs to focus on what it can control and not blame outsiders for our problems.
- What about taxes, education, gov’t?
Within Ohio trends and regions.

- A key feature is proximity to the core of one of Ohio’s largest 5 cities or its many urban areas.
  - Commuting patterns show this pattern.
  - Growth does not respect county borders
    - Separating rural Ohio from urban Ohio is pointless.
This map further illustrates the rural-urban interdependence in terms of our livelihood. We can’t separate rural from urban Ohio. Also, this overlooks all of the commuting from urban area to urban area and rural area to rural area—that further suggests linkages.

Notes

The above map shows commuter flows to any urban area

Definitions:

“High” commuting: More than 30% of the residents living in the census tract commute to any urban area for work.

“Low” commuting: Less than 30% (more than 10%) of the residents living in the census tract commute to any urban area for work.

“Extremely Low” commuting: Less than 10% of the residents living in the census tract commute to any urban area for work.
What can be done in Ohio?

- **Constraint—no money, tight budgets.**
  - 2007 OH state and local tax burden is 5th highest in the U.S. (Nat. Tax Found.)
  - Tax incentives are not effective work (Kraybill and Gabe, 2002) and help increase taxes on everyone else including agriculture.
- **Tax Policy has been tried—it takes about 5-10 years to have an effect.**


VT, ME, NY, RI are higher,
Then OH at 12.4%
Then HI, WI, CT, NE, NJ, MN, CA, AR, MI, KS.
What can be done?

- Good governance promotes wealth creation and reduces risk premium for business.
  - Better governance to compete in 21st Century through lower costs.
  - Better planning.
  - Cooperate not compete for econ develop.
Lessons
Larry Long of Ohio County Commish Association says that if we were a business with our out-dated practices, we would be bankrupt.

I believe the one of the biggest causes is OH’s local governance is fragmented and the ‘bizarre’ local tax structure that forces neighboring communities to compete for jobs.
See the soon to be released Swank policy brief on education.

Sources for growth—human capital link:


Ohio median age: Table 2: Annual Estimates of the Population by Sex and Age for Ohio: April 1, 2000 to July 1, 2007 (SC-EST2007-02-39), Source: Population Division, U.S. Census Bureau, released May 1, 2008
Between 1990-2006: Metro share increased by 66% and 172% in nonmetro America.


Ohio Data, American Community Survey:

United States and States R0501. Percent of People Who Are Foreign Born: 2006
Universe: Total population
Data Set: 2006 American Community Survey
Survey: **2006 American Community Survey, 2006 Puerto Rico Community Survey**
http://factfinder.census.gov/servlet/GRTTable?_bm=y&-_box_head_nbr=R0501&-_ds_name=ACS_2006_EST_G00&-_lang=en&-format=US-30&-CONTEXT=grt
This is nearly quoted from the following press release:
Source for older, more diverse nation is U.S. Census Bureau Press Release:
The New Face of America—cont.
- Black share of the population will rise from 14% in 2008 to 15% in 2050.
- Non-Hispanic White share is expected to fall from 66% of the population in 2008 to 46% in 2050.
- Workforce will change as well:
  - Population share in the “working ages” of 18-64 is to decline from 63% in 2008 to 57% in 2050
  - The working-age population is projected to become more than 50% minority in 2039 (up from 34% in 2008).
2000-05 Population Growth Due to New Immigrants.

Legend:
-6.3 - 0.0
0.0 - 1.5
1.5 - 2.5
2.5 - 4.7
4.7 - 9.7
Not used

Note: 2003 MA boundary definitions used
*Mean (=0.72%) category
Source: Southern Rural Development Center, Mississippi State University.
The Hispanic Population: 2007

Southern Rural Development Center, Mississippi State University.
Southern Rural Development Center, Mississippi State University.
What does immigration mean?

- Likely reduces the wages of low-skilled workers (Borjas, 2003, 2005)
  - It increases competition for low-skilled workers—supply and demand.
- Very little impact on overall worker wages—but worsens income inequality
  - Immigrants complement higher-skilled workers and agricultural workers.
  - The winners and losers show why immigration draws a range of opinions.

Immigration

- High-immigrant communities face few overall economic effects in the long-run.
  - But, native-born residents tend to move out of communities that receive influxes of immigrants.
Farm immigrant labor complements domestic farm labor.

Immigration

- Immigrants are an important labor source in agriculture.
  - Immigration may have more ‘positive’ impacts in farming communities.
  - The “old story” that native workers may not want to do hard, itinerant, seasonal work.
  - Agriculture would likely suffer in the near term if immigration was greatly slowed.
  - But less in the long-term due to mechanization.
Immigration reform

- My guess is little will be done.
  - Why? Republicans want access to labor and Democrats want potential voters.
  - My guess is any ‘reforms’ will not have a significant effect on agriculture (at least farming), though it will be a headache in terms of documentation.
I'd rather talk about these problems than be forced to be accountable to solve them.
Thank you

Presentation will be posted at The Ohio State University; AED Economics; Swank Program:
http://aede.osu.edu/programs/Swank/

(under presentations)
Reference Map